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**SINOSTAR**

**中國華星**

**China Sinostar Group Company Limited**  
**中國華星集團有限公司**

*(Incorporated in Bermuda with limited liability)*

(Stock code: 485)

**MAJOR AND CONNECTED TRANSACTION –  
DISPOSAL OF THE ENTIRE EQUITY INTEREST IN  
HARVEST WAY HOLDINGS LIMITED**

**THE DISPOSAL**

The Board is pleased to announce that on 31 October 2019 (after trading hours), the Company as vendor and the Purchaser entered into the Agreement, pursuant to which the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest in the Target Company at a Consideration of HK\$7.5 million in cash.

**LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but all are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. As the Purchaser is indirectly wholly-owned by Mr. Lau Sak Hong, a director of certain subsidiaries of the Company, together with his family members, as at the date of this announcement, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei, has been established to make recommendation to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

## **GENERAL**

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Disposal pursuant to Chapters 14 and 14A of the Listing Rules. One of the ultimate beneficial owners of the Purchaser, Mr. Lau Sak Hong, and his associates are interested in an aggregate of 32,891,933 Shares as at the date of this announcement and shall abstain from voting on the relevant resolution(s) at the SGM.

A circular containing, among other things, further details of the Agreement and the transactions contemplated thereunder, the recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser is expected to be despatched to the Shareholders on or before 9 December 2019, as additional time is required for the Company to prepare relevant financial information for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that the Completion is subject to fulfillment of the conditions precedent of the Agreement, and consequently the Disposal may or may not proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

## **THE AGREEMENT**

**Date:** 31 October 2019 (after trading hours)

**Parties:** The Company, as vendor

Fairy King Prawn Holdings Limited, as purchaser

The Purchaser is indirectly wholly-owned by Mr. Lau Sak Hong, a director of certain subsidiaries of the Company, together with his family members. Accordingly, the Purchaser is regarded as a connected person of the Company under Chapter 14A of the Listing Rules.

### **Subject matter**

Pursuant to the Agreement, the Company has conditionally agreed to sell and the Purchaser has conditionally agreed to purchase the entire equity interest in the Target Company.

### **Consideration**

The Consideration of HK\$7.5 million shall be paid in HK\$ in the following manner:

- (i) a refundable deposit in the sum of HK\$1.5 million, being the Deposit, shall be paid to the Company upon the signing of the Agreement and the Deposit shall be regarded as part of the Consideration to be paid by the Purchaser to the Company upon the Completion; and

- (ii) the remaining balance of the Consideration of HK\$6 million, being the Balance of Consideration, shall be deposited by the Purchaser to the bank account maintained by the Custodian as stakeholder within three Business Days after the date of the Agreement and the Custodian shall not release the Balance of Consideration to the Company until the Completion.

The Consideration was determined after arm's length negotiations between the Company and the Purchaser by reference to the net asset value of the Target Group (after deducting its non-controlling interest), the past financial performance and the future prospects of the Target Group.

The Directors (excluding the independent non-executive Directors who will provide their views after consideration of the letter of advice from the Independent Financial Adviser) are of the view that the Consideration is fair and reasonable and is in the interests of the Company and the Shareholders as a whole.

### **Conditions precedent**

Completion shall be subject to and conditional upon the fulfillment and/or waivers by the Purchaser of the following conditions precedent:

- (i) all necessary prior approvals, consent and waiver for the sale and purchase of the entire issued capital of the Target Company in accordance with the Agreement having been obtained from the regulatory authorities and other relevant third parties (including without limitation the registered agent of the Target Company) and are continuing in force;
- (ii) all the representations, warranties and undertakings made by the Company under the Agreement remain comprehensive, true and accurate, and not materially omitted or misleading in all respects at the Completion, as if they would be repeated at the Completion and all the time between the date of the Agreement and the Completion;
- (iii) the approval from the board of the directors of the Purchaser in respect of the Agreement and the transactions contemplated thereunder shall have been obtained;
- (iv) the approval from the Board in respect of the Agreement and the transactions contemplated thereunder shall have been obtained; and
- (v) the approval from the Shareholders in respect of the Agreement and the transactions contemplated thereunder shall have been obtained, if required.

The Purchaser may waive all or any such above conditions precedent at any time by notice in writing to the Company.

In the event that the above conditions are not fulfilled on or before the Long Stop Date, the Company shall, and shall procure the Custodian to, refund the Deposit and the Balance of Consideration to the Purchaser within three Business Days after the Long Stop Date and the Agreement (save for certain

clauses relating to confidentiality, costs and expenses and certain miscellaneous matters) shall then lapse and become null and void, and the parties to the Agreement shall be released from all their respective obligations thereunder, save for the liabilities for any antecedent breaches thereof.

## **Completion**

Completion shall take place on the third Business Day after the date on which the last of the conditions precedent has/have been fulfilled or such later date as the parties to the Agreement may agree in writing.

Upon Completion, the Company will cease to hold any equity interest in the Target Company and the Target Company together with its subsidiaries will cease to be subsidiaries of the Company.

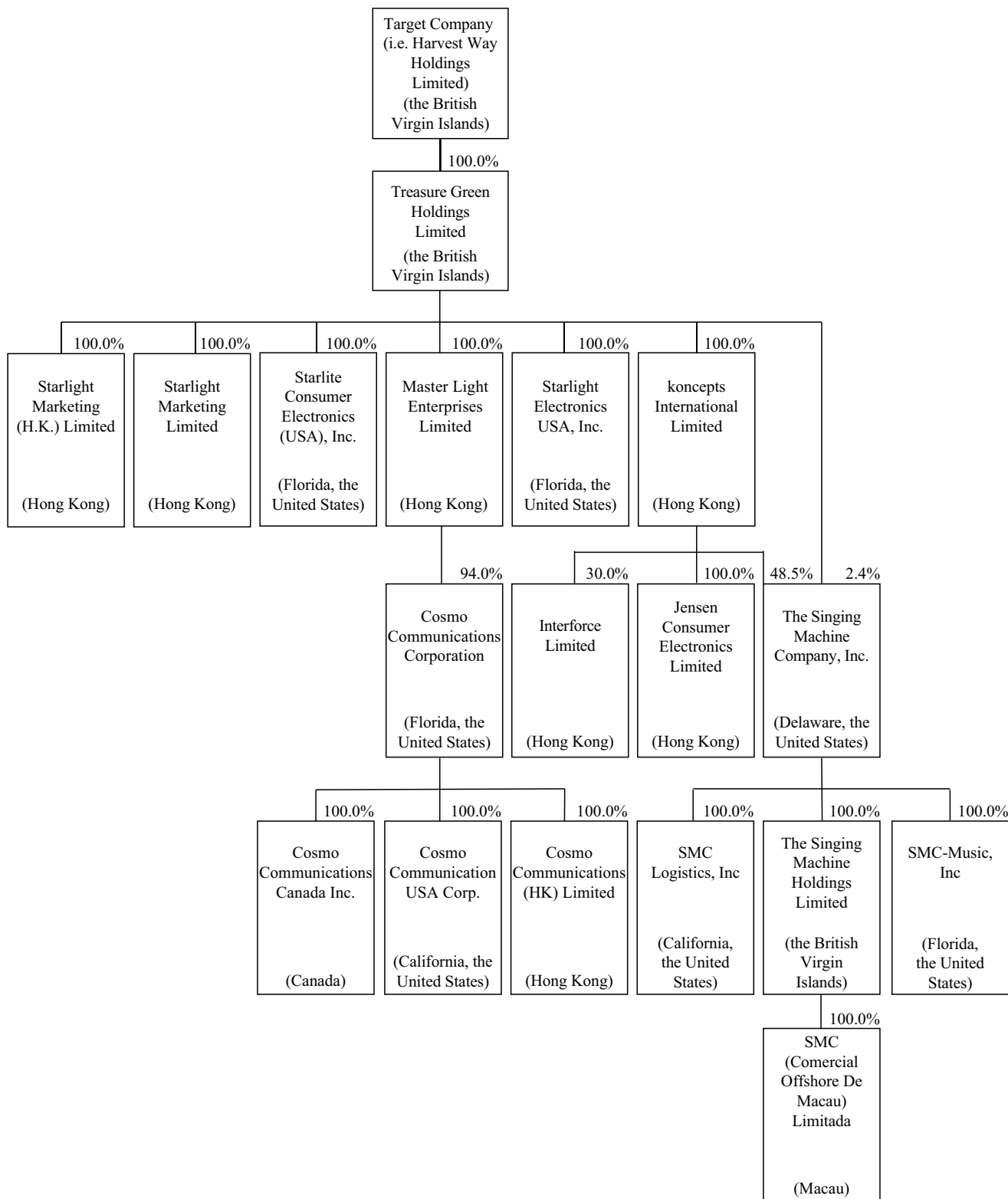
## **INFORMATION ON THE PURCHASER**

The Purchaser is an investment holding company incorporated in the British Virgin Islands and indirectly wholly-owned by Mr. Lau Sak Hong, a director of certain subsidiaries of the Company, together with his family members. One of the ultimate beneficial owners of the Purchaser, Mr. Lau Sak Hong, and his associates are interested in an aggregate of 32,891,933 Shares as at the date of this announcement.

## **INFORMATION ON THE TARGET GROUP**

The Target Company is an investment holding company incorporated in the British Virgin Islands. The Target Group is engaged in the design and sale of electronic products and securities trading.

The shareholding structure of the Target Group is as follows:



Set out below is the summary of the key financial information extracted from the consolidated financial information of the Target Group for the years ended 31 March 2018 and 2019:

	<b>For the year ended 31 March</b>	
	<b>2018</b>	<b>2019</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Turnover	512,115	390,503
Loss before taxation	4,103	11,878
Loss after taxation	3,988	13,308

The unaudited consolidated adjusted net asset value of the Target Company was approximately HK\$55.7 million as at 31 March 2019 before deducting the non-controlling interest of approximately HK\$33.9 million as at 31 March 2019.

### **FINANCIAL EFFECT OF THE DISPOSAL AND USE OF PROCEEDS**

Based on (i) the Consideration of HK\$7.5 million; (ii) the unaudited consolidated adjusted net asset value of the Target Company as at 31 March 2019 of approximately HK\$55.7 million; (iii) the deduction of non-controlling interest of approximately HK\$33.9 million as at 31 March 2019; and (iv) the release of the exchange reserve of approximately HK\$13.9 million, it is estimated that the Group would record, before transaction costs, an unaudited accounting loss of approximately HK\$0.4 million from the Disposal. The actual amount of the gain or loss on the Disposal to be recognised is subject to audit and therefore may be different from the amount mentioned above.

Upon Completion, the Company will cease to hold any equity interest in the Target Company. Accordingly, the assets, liabilities and the financial results of the Target Group will no longer be consolidated into the financial statements of the Group.

The Company intends to apply the net proceeds from the Disposal for general working capital of its existing business. Net cash inflow is expected to be generated from the Disposal, allowing the Group to conserve more financial resources for the funding of future potential investments when opportunities arise. The Disposal will enable the Group to realise the value of its interest in the Target Company and help the Group to further concentrate its resources to its properties development business.

### **REASONS FOR AND BENEFITS OF THE DISPOSAL**

The Group is engaged in the business of properties development, properties investment, operation and management of hydroelectric power stations, design and sale of electronic products and securities trading.

The Target Group is principally engaged in the design and sale of traditional consumer electronic audio and video equipment. However, the ever-changing technological landscape and the subsequent shifts in the consumption of audio and video content presented challenges for the audio and video equipment manufacturing industry over the past years. Many products in this industry may become obsolete as a result of the technological innovations and introduction of a variety of digital products. The business segment of design and sale of traditional consumer electronic audio and video equipment may not contribute significant profit to the Group and is expected to present pressure on the Group's overall profitability in the near future.

The liquidation of Toys“R”Us, Inc., one of the major clients of the Group during the year ended 31 March 2018, resulted in negative impact on the Group's financial performance for the year ended 31 March 2019. Further, protectionist measures initiated by the United States could likely result in negative impact on the Target Company's exports to the United States.

In view of the volatility in the market of design, manufacturing and sale of consumer electronic audio and video equipment, karaoke equipment and accessories, the Disposal represents a good opportunity for the Group to realise its investment in the Target Group and reorganise its assets portfolio.

After the Disposal, the Group will cease to engage in the business of design and sale of electronic products and securities trading.

Based on the above, the Board (excluding the independent non-executive Directors who will provide their views after consideration of the letter of advice from the Independent Financial Adviser) considers that the terms of the Disposal as well as the Consideration are fair and reasonable so far as the Company and the Shareholders are concerned, and the Disposal is in the interests of the Company and the Shareholders as a whole.

## **LISTING RULES IMPLICATIONS**

As one or more of the applicable percentage ratios (as defined in the Listing Rules) in respect of the Disposal exceeds 25% but all are below 75%, the Disposal constitutes a major transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under the Listing Rules. As the Purchaser is indirectly wholly-owned by Mr. Lau Sak Hong, a director of certain subsidiaries of the Company, together with his family members, as at the date of this announcement, the Purchaser is a connected person of the Company and the Disposal also constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER**

The Independent Board Committee, comprising all independent non-executive Directors, namely Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei, has been established to make recommendation to the Independent Shareholders in respect of the Agreement and the transactions contemplated thereunder. Nuada Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in this regard.

### **GENERAL**

The SGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Disposal pursuant to Chapters 14 and 14A of the Listing Rules. One of the ultimate beneficial owners of the Purchaser, Mr. Lau Sak Hong, and his associates are interested in an aggregate of 32,891,933 Shares as at the date of this announcement and shall abstain from voting on the relevant resolution(s) at the SGM.

A circular containing, among other things, further details of the Agreement and the transactions contemplated thereunder, the recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser is expected to be despatched to the Shareholders on or before 9 December 2019, as additional time is required for the Company to prepare relevant financial information for inclusion in the circular.

**Shareholders and potential investors of the Company should be aware that the Completion is subject to fulfillment of the conditions precedent of the Agreement, and consequently the Disposal may or may not proceed. The Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.**

### **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Agreement”	the sale and purchase agreement dated 31 October 2019 entered into between the Company and the Purchaser in respect of the Disposal
“associate”	has the meaning as ascribed to it under the Listing Rules
“Balance of Consideration”	the remaining balance of Consideration of HK\$6 million paid by the Purchaser to the Custodian pursuant to the Agreement
“Board”	the board of Directors



“Business Day”	a day (other than a Saturday or days on which a typhoon signal no. 8 or above or black rainstorm signal is hoisted in Hong Kong at 10:00 a.m.) on which banks in Hong Kong are generally open for business
“Company”	China Sinostar Group Company Limited, a company incorporated in Bermuda with limited liability and the issued Shares are listed on the Stock Exchange
“Completion”	the completion of the Disposal
“Consideration”	the consideration payable by the Purchaser pursuant to the Agreement, being HK\$7.5 million
“Custodian”	the legal adviser of the Company
“Deposit”	the deposit of HK\$1.5 million to be paid by the Purchaser to the Company pursuant to the Agreement
“Director(s)”	the director(s) of the Company
“Disposal”	the proposed disposal of the entire equity interest in the Target Company
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the board committee established by the Company comprising all the independent non-executive Directors to advise the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	Nuada Limited, a licensed corporation to conduct Type 6 (advising on corporate finance) regulated activity as defined under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders on the Agreement and the transactions contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) not required to abstain from voting on the resolution to be proposed at the SGM

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	17 January 2020, or such later date as the parties to the Agreement may agree in writing
“Purchaser”	Fairy King Prawn Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a connected person of the Company
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be convened to consider and, if thought fit, to approve, among other things, the Agreement and the transactions contemplated thereunder
“Share(s)”	the ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Harvest Way Holdings Limited, a company incorporated in the British Virgin Islands with limited liability and a direct wholly-owned subsidiary of the Company as at the date of this announcement
“Target Group”	the Target Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“%”	per cent.

For and on behalf of  
**China Sinostar Group Company Limited**  
**Wang Xing Qiao**  
*Executive Director and Chief Executive Officer*

Hong Kong, 31 October 2019

*As at the date of this announcement, the Board comprises Mr. Wang Jing, Mr. Wang Xing Qiao and Mr. Zhao Shuang as executive Directors; and Mr. Wang Ping, Mr. Song Wenke and Mr. Zeng Guanwei as independent non-executive Directors.*

*In case of any inconsistency, the English text of this announcement shall prevail over the Chinese text.*